

TO: Secretary Paige
FROM: Theresa. S. Shaw, Chief Operating Officer, Office of Federal Student Aid
RE: FSA Weekly Report
DATE: October 7, 2002

THE WEEK AHEAD

Travel Administration: On October 7 (as soon as Oracle Federal Financials are available after FY02's closeout), FSA CFO will begin working with OCFO to complete a recompilation of unliquidated obligations. This involves reconciling Travel Manager (TM) and Oracle data on travel authorizations still in the system. The goal is to clean up all FY02 data that has been completed or canceled in TM but not in Oracle. The process will remove all incorrect obligations in Oracle.

Pell Unprocessed Deobligations: On October 8, Pell Operations staff are to meet with EDCAPS staff to review next steps for resolving the Unprocessed Deobligations (UD) issue (formerly referred to as "Negative Available Balances.") These transactions are created in GAPS when Pell Operations processes and sends obligation decreases to GAPS that exceed the amount of the unliquidated obligation (amount not drawn by the school. In the spring, letters were sent from GAPS to 1,348 schools that have these transactions in the 1997-98 through 2000-01 award years. To date, 514 schools have completely resolved the UD's, but another 834 schools are still working on resolution. A second warning letter to business officers will be sent from GAPS at the end of the month, asking them to resolve the UD's by refunding the cash or making a drawdown adjustment. If the school does not respond, the Department will place the schools on "Stop Pay" status early next year.

Conditional Disability Discharge Tracking System (CDDTS): On October 8, FSA staff from CFO and Students Channel, and our contractor ACS are meeting to finalize accounting requirements in the CDDTS. The system establishes a new standard for granting total and permanent disability discharges.

FSA Budget Hearing With OMB: On October 10, COO Terri Shaw will meet with OMB and ED Budget Services. OMB suggested topics include:

- Vision for PBO
- HEA Reauthorization
- Fraud and Error Elimination Update
- Contracts (including performance based, Share-In-Savings, and Modernization)
- Electronic Processing
- Unit Cost Methodology
- Asset Management
- Credit reform-type cost estimate for Perkins
- Lender Reporting

KEY NEWS

FY02 Total Collection Recoveries: Combined recoveries for FY02 year's end totaled more than \$1.3 billion—comprised of \$966.6 million in non-consolidation recoveries and \$366.0 million in consolidation recoveries. The final non-consolidation recovery rate for FY02 is 7.6%, which exceeded the baseline goal of 7.2% (or \$915.0 million). FY02 year end recoveries on accounts from National Directory of New Hires database-matched data totaled almost \$270 million exceeding the goal of \$200 million. These totals do not include recoveries from Treasury offsets.

FMFIA Reporting: On October 2, FSA CFO began collecting senior managers' input for the FY02 Federal Managers' Financial Integrity Act reporting requirement. The package is due to OCFO by October 15.

Financial Integrity with Purchase Cards: FSA Administration, Budget Support, and Human Resources have worked together to officially remind Purchase Card Holders and Approving Officials to strictly comply with requirements related to the processing of budget obligations.

Child Care Provider Loan Forgiveness Payment Adjustment: On September 27, FSA CFO processed an adjustment to the first Direct Loan payment in the Child Care Provider Loan Forgiveness Demonstration Program. The adjustment increased the amount to \$32,606.32.

Pell Operations

- **End-of-Year Closeout:** The reconciliation of the 2001-02 award year (between RFMS, GAPS, and FMSS) has been completed. We determined \$1.1 million was not obligated and was in danger of lapsing, so we shifted \$1.1 million in obligations between the funding authority and the FY02 appropriation.
- **Status of Shortfall:** For the 2001-02 award year OMB approved an apportionment of \$1.235 billion from the FY02 appropriation to cover the widely-publicized shortfall. At year's end, all these funds were obligated except \$100 million, which will be returned to the 2002-03 award year. The 2002-03 award year should have sufficient funding authority to cover school obligations through the spring of 2003 without borrowing from the upcoming FY03 appropriation.
- **Pell FSA/CFO Interface Issues:** Pell Operations is holding weekly meetings with FSA/CFO to finish a Service Level Agreement that defines roles and responsibilities, as well as processing details. Pell Operations is attempting to ensure that adequate procedures are in place so that Pell Operations and FSA/CFO staff can more easily reconcile file transmissions on a timely basis.

ISIR Common Record: Staff continue to work to establish a Common Record, using XML, for the Institutional Student Information Record (IRIS). So far, we have:

- Mapped 2003-04 ISIR to 2003-04 Common Record and identified where the layouts differ in Definition and Length. We also have created initial, draft "tags" based on comparison of layouts using ebXML standards.

- Held initial meeting with SAIG to discuss possible size issues.
- Help focus groups with software vendors and state agencies.

Student Aid Internet Gateway: Application Processing has completed enhancements to the SAIG Enrollment (<http://fsawebenroll.ed.gov>) and Download (<http://fsadownload.ed.gov>) Web sites for the 2003-2004 processing cycle. The enhancements will make it easier for schools to enroll in SAIG-supported programs. They went into effect September 30.

OIG and GAO Audits

- **OIG Audit of FSA “Modernization Partner” Contract:** On September 27, FSA received an electronic notice and copy of OIG’s draft report. The objectives were to evaluate performance indicators FSA used to assess contractor performance, evaluate the methodology used to baseline operational costs used in Share in Savings task orders, and review contractor charges. FSA CFO has distributed the draft to appropriate offices to comment by October 8.
- **OIG Audit of Enterprise Architecture:** On September 30, OIG issued its final report. This audit of the Department and FSA’s enterprise architectures was to determine the status of their development. OIG reported that, although both have made progress, critical elements are needed for completion. The report identifies what the Department and FSA are to do. A Corrective Action Plan is due not later than 60 days after issuance of the report.
- **GAO Audit on IRS Data Sharing:** On October 1, FSA staff met with GAO regarding how and why FSA shares private information with the Internal Revenue Service. FSA provided information about its data matches with IRS (the data sharing is to verify applicants’ reported income). Further meetings are to be held.
- **OIG Audit on Financial Responsibility:** As of October 1, this audit is officially closed. The audit was to determine if FSA had sufficient controls and procedures to enforce Financial Responsibility regulations. FSA has completed all corrective actions.

RESOLUTION OF KEY ISSUES

Nothing to report.

PUBLIC AFFAIRS ACTIVITIES

Nothing to report.

REGULATORY ACTIVITIES

Nothing to report.

POLICY DOCUMENTS

Not applicable.

GRANT ACTIVITIES

Nothing to report.

ON THE HORIZON

Videoconference: On October 24, from 1-3 p.m. ET, FSA will broadcast the annually updated “Application Processing System: What’s New for 2003-2004.” The videoconference highlights changes in the paper and electronic FAFSA; changes to the

Student Aid Report; electronic signatures; the simplified Web FAFSA; and other enhancements in the processing system for the upcoming award year. Hundreds of schools download the broadcast, which will also be available via Webcasting. Rather than renting local studios, this year the videoconference will be broadcast from the new Learning Center in UCP.

Electronic Access Conferences (EAC's): This year marks the first year FSA is hosting two, rather than three, EAC's around the country. These conferences are mainly tailored for schools but also are attended by lending community partners. Last year, one of the EAC's drew registration of more than 1,400 people. The meetings serve as updates on federal student aid and showcase FSA's electronic products designed to simplify business processes while strengthening program integrity. This year's first EAC will be held in Orlando on November 4-7. The second will be held in Las Vegas on December 3-6.

CONTACT INFORMATION

Please contact Karen Santos Freeman at 377-4001 with any questions.